

# Q2 2016



## City of La Habra Sales Tax *Update*

*Third Quarter Receipts for Second Quarter Sales (April - June 2016)*

### La Habra In Brief

La Habra's receipts from April through June were 11.0% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 2.6%.

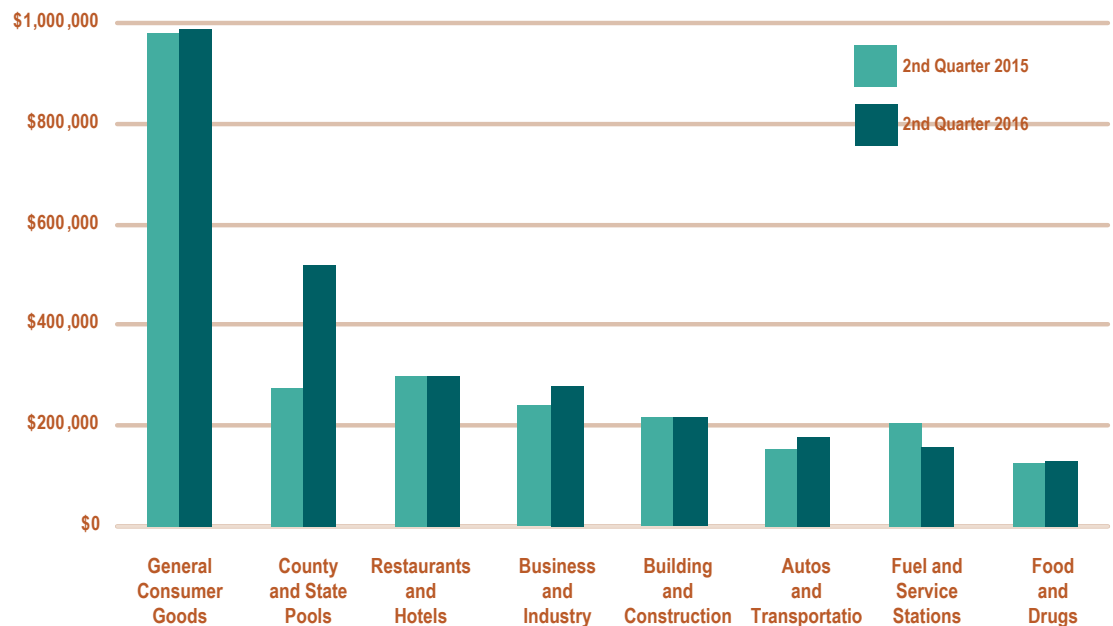
The largest contributor to this improvement was a 90% spike in allocations from the county use-tax pool resulting from a large reallocation by the State Board of Equalization for prior-year out-of-state use tax purchases.

Higher light industrial/printer sales added to this gain, though the amount of the increase was inflated by payment aberrations. The autos-transportation group was boosted by the opening of a new used automotive dealer as well as positive returns from local automotive supply stores.

Lower fuel prices was the largest drag on overall returns with receipts from local service stations falling 22% compared to the 19% decline in statewide gas prices.

Net of aberrations, taxable sales for all of Orange County grew 1.0% over the comparable time period; the Southern California region was up 1.6%.

### SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Ross
Arco AM PM	Salinas Tires & Wheels
Bed Bath & Beyond	Sams Club w/fuel
Costco	Shepard Brothers
G & M Oil Chevron	Sports Authority
Gold Waterworks & Fire Protection	Star Texaco Mart & Car Wash
Home Depot	T Mobile
Howards Appliances	Target
Hughes Water & Sewer	Tesoro Refining & Marketing
Imperial Stations 76	TJ Maxx
JWD Angelo	Verizon
Kohls	Walmart
Lowes	Supercenter

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
<b>Point-of-Sale</b>	\$2,219,745	\$2,247,781
<b>County Pool</b>	273,221	520,204
<b>State Pool</b>	1,857	844
<b>Gross Receipts</b>	<b>\$2,494,822</b>	<b>\$2,768,830</b>
<b>Less Triple Flip*</b>	\$(623,706)	\$0
<b>Measure T</b>	<b>\$1,258,244</b>	<b>\$1,265,290</b>

**California Overall**

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

**Interest In Tax Reform Grows**

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

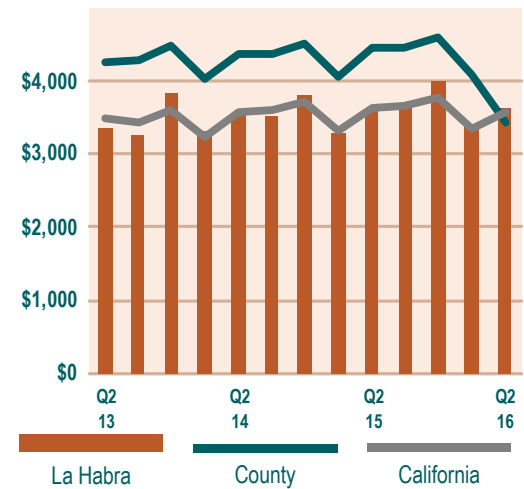
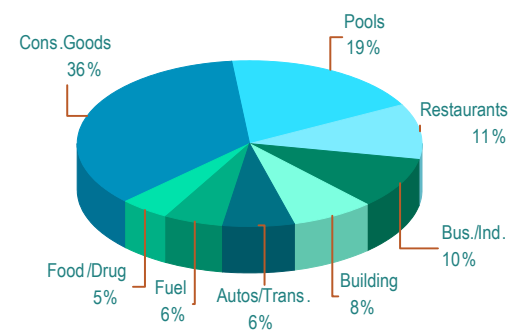
**Expand the Base / Lower the Rate:**

Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

**Allocate to Place of Consumption:**

Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

**SALES PER CAPITA****REVENUE BY BUSINESS GROUP**  
La Habra This Quarter**LA HABRA TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	La Habra		County	HdL State
	Q2 '16*	Change	Change	Change
Automotive Supply Stores	71.7	20.3%	2.6%	1.5%
Casual Dining	115.9	-0.5%	4.1%	4.4%
Discount Dept Stores	647.2	-2.4%	-0.8%	0.7%
Drug Stores	35.6	3.3%	2.5%	0.5%
Drugs/Chemicals	— CONFIDENTIAL —		7.1%	2.6%
Electronics/Appliance Stores	79.9	19.2%	27.0%	22.3%
Family Apparel	55.1	5.5%	6.4%	4.3%
Grocery Stores Liquor	55.1	1.6%	2.8%	1.1%
Heavy Industrial	— CONFIDENTIAL —		-5.0%	7.0%
Light Industrial/Printers	113.1	46.2%	-0.6%	-0.1%
Lumber/Building Materials	180.5	-1.9%	0.3%	3.3%
Quick-Service Restaurants	141.3	1.7%	4.6%	6.6%
Service Stations	158.5	-22.2%	-23.2%	-19.2%
Specialty Stores	56.8	22.9%	1.2%	2.4%
Used Automotive Dealers	46.2	36.6%	9.9%	11.0%
<b>Total All Accounts</b>	<b>2,247.8</b>	<b>1.3%</b>	<b>-22.1%</b>	<b>-0.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>521.0</b>	<b>89.4%</b>	<b>45.7%</b>	<b>15.2%</b>
<b>Gross Receipts</b>	<b>2,768.8</b>	<b>11.0%</b>	<b>-14.6%</b>	<b>1.4%</b>